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March 13<sup>th</sup>, 2018

Michigan Health Policy Committee  
100 N. Capitol Ave.  
Lansing, Michigan 48933

**Re: OPPOSE HB 5223**

The Coalition of State Rheumatology Organizations is a national organization composed of over 40 state and regional professional rheumatology societies formed in order to advocate for excellence in rheumatologic care, and to ensure access to the highest quality care for patients with rheumatologic and musculoskeletal disease.

**As you consider HB 5223, CSRO wishes to convey its opposition to the bill in its current form**

Rheumatologists are entrusted with the safe care of patients with rheumatoid arthritis and other autoimmune diseases that require the careful choice of safe and effective pharmaceutical and biological therapies. In many cases, this entails prescribing life changing, albeit expensive, breakthrough drug therapies. Despite this, rheumatologists are not unconcerned with the financial impact that these therapies have on patients. Indeed, the increasingly untenable financial burden borne by patients with musculoskeletal illnesses has had undeniable consequences for therapy adherence and ultimate patient outcomes.

**HB 5223 ignores the root cause of inflated costs for specialty medications, proposing an ineffective solution**

Pharmacy Benefit Managers (PBMs) and Federal services alike reported slowed growth in pharmaceutical spending in the United States in 2017. Indeed, one of the three largest PBMs, Express Scripts, indicated that spending on pharmaceuticals increased only 1.5% in 2017, down from 2016's 3.8% mark.

**Given this, the problem with pharmaceuticals does not primarily lie with their cost, but the portion of the cost that is ultimately borne by patients**

Substantial consolidation in the PBM marketplace has allowed just three PBMs to control nearly 80% of covered lives in the United States. This has afforded them remarkable power to negotiate discounts off of the list price of pharmaceuticals. These savings, however, are largely unrealized by patients. Although the net price of acquiring a drug for a PBM or insurer is far less than the list price, which is reflected in the aforementioned slowed payer spending on pharmaceuticals, patients are forced to pay their cost sharing obligations based on the list price of a medication. The vast majority of these savings are realized in the bottom line of PBMs, rather than patients' wallets.

As a result, CSRO urges Michigan lawmakers to reconsider the target of its drug pricing transparency legislation. If Michigan lawmakers do see fit to implement pricing transparency standards, CSRO urges them to implement transparency standards in a uniform manner, across the supply chain. This would give a complete perspective of drug pricing, rather than singling out only a small portion of the supply chain.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Stevens", with a stylized flourish at the end.

Michael Stevens, MD, FACR  
President, CSRO